

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NOUAKCHOTT IMMEDIATE

INFO AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: PFOR, EINV, MR

SUBJECT: MIFERMA NATIONALIZATION AND BIAO

REF: STATE A-10523, DEC. 28, 1973

1. FNCB NEW YORK OFFICIAL ALERTED DEPARTMENT DECEMBER 13 TO PROBLEM BETWEEN GIRM AND BIAO OF MAURITANIA. FNCB OWNS 49 PERCENT BIAO, WHICH IS MIFERMA'S BANKER.

2. ACCORDING TO FNCB, GIRM HAS DEMANDED PAYMENT BY DECEMBER 16 OF ALL OUTSTANDING EXPORT BILLS DRAWN BY BIAO COVERING MIFERMA'S EXPORTS. MOST OF THESE EXPORT BILLS ARE PAYABLE BY NATIONALIZED MIFERMA SHAREHOLDERS, WHO WILL REFUSE TO PAY UNTIL QUESTIONS RESULTING FROM LIMITED OFFICIAL USE

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NATIONALIZATION, PARTICULARLY COMPENSATION, ARE SORTED

OUT. ANY PAYMENTS OF EXPORT BILLS BY THIRD PARTIES ARE USUALLY MADE TO BIAO PARIS. THESE UNDOUBTEDLY WILL BE SEQUESTERED UNDER COURT ORDER AT REQUEST OF FORMER MIFERMA SHAREHOLDERS. FNCB SAID BIAO-MAURITANIA HAS NO LIABILITY FOR EXPORT BILLS IT DRAWS UP, THAT IN THIS FUNCTION IT SERVES AS A POSTBOX FOR MIFERMA. HOWEVER, GIRM HAS REFUSED TO ACCEPT THIS EXPLANATION. GIRM AND BIAO ARE DISCUSSING ISSUE.

3. BIAO POSITION IS THAT IT IS MERE MIDDLE PERSON AND CANNOT PAY ACCOUNTS PAYABLE DUE MIFERMA. FNCB IS WORRIED THAT GIRM MAY TAKE ACTION AGAINST BIAO WHEN DEMANDED PAYMENT NOT MADE DECEMBER 16. FNCB COULD NOT PREDICT POSSIBLE GIRM ACTION BUT SAID WORST WOULD BE NATIONALIZATION OF BIAO AND DETENTION OF EXPATRIATE STAFF (EIGHT FRENCH NATIONALS).

4. ACCORDING TO FNCB, THERE ARE NO AMERICANS WITH BIAO IN MAURITANIA. FNCB REP SAID BIAO CURRENTLY CONTROLS 75 PERCENT OF LOCAL BANKING BUSINESS AND HENCE IT WOULD BE DISRUPTIVE TO MAURITANIAN FINANCIAL SCENE IF GIRM TOOK OVER BIAO.

5. AT ITS DISCRETION, EMBASSY MAY WANT TO POINT OUT TO APPROPRIATE GIRM OFFICE SIGNIFICANT US INVESTMENT IN BIAO AND USG CONCERN THAT US INVESTORS BE TREATED IN ACCORDANCE WITH REQUIREMENTS OF INTERNATIONAL LAW. DEPARTMENT PLANS CALL IN GIRM AMBASSADOR DECEMBER 16 TO MAKE THESE POINTS.

6. FOR FURTHER GUIDANCE EMBASSY SHOULD CONSULT REPAIR WHICH SETS FORTH INSTRUCTIONS ON HANDLING EXPROPRIATIONS, OTHER INVESTMENT DISPUTES AND RESTRICTIONS ON AMERICAN INVESTMENTS. KISSINGER

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